MONTHLY MARKET RECAP

TRAVERSE PRIVATE WEALTH

September 3, 2024

Index	Asset Class	2024 Aug.	2024 YTD	2023
Equity Indexes		**Total Returns**		
NASDAQ 100	Mega Cap U.S. Growth Equity	1.2%	17.0%	55.1%
S&P 500	Large Cap U.S. Equity	2.4	19.5	26.3
S&P 400	Mid Cap U.S. Equity	(0.1)	12.2	16.4
S&P 600	Small Cap U.S. Equity	(1.4)	8.4	16.1
MSCI All Country World	Global Equity	2.6	16.3	22.8
MSCI All Country World (Ex U.S.)	International Equity	2.9	11.6	16.2
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	3.3	12.4	18.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	1.7	9.9	10.3
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.4	3.1	5.5
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	0.7	1.3	6.2
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	1.0	6.3	8.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.6	6.3	13.4
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.3	13.6	19.2
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.1	10.9	15.7
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.9	8.4	12.3
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.7	5.6	8.9
Data as of 8/31/2024. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Economy

In our preceding ***Monthly Market Recap***, we highlighted the unemployment rate increase in July (to 4.3%[1]), which was reported the morning we published. Indeed, investors reacted negatively to that report, with stocks starting the month of August on a notable downtick (e.g., the S&P 500 was down 6.1% intra-month through Aug. 5th). However, this pullback proved to be short-lived, as since then stocks recovered plus some (more on this in the Equity section).

It seems that the initial concerns relating to increasing recession risks were appeased by a sequence of encouraging news regarding our economic conditions. Most meaningful in this regard were better than expected: (a) U.S. Jobless Claims reported on August 8[2]; (b) U.S. Retail Sales reported August 15[3]; punctuated by (c) Fed Chair Powell's dovish speech from Jackson Hole, Wyoming on August 23. While much of Powell's comments were not really new, in our view, investors focused on his "*pivot*" from a previous emphasis on containing inflation, toward what was perceived as telegraphing rate cuts to address the cooling labor market.[4]

As we've previously written, market expectations even before Powell's Jackson Hole speech have been looking for a Fed Funds rate cut at the FOMC meeting scheduled for September 17 & 18. Now, however, some forecasts have shifted to expect a 50 basis point rate cut in September rather than 25 basis points, and as much as 150 basis points, give or take, by next March. And investors appear to be increasingly comfortable with projections for a "*soft landing*" or even "*no landing*." We remain hopeful as well, but must caution that rate cuts, when implemented, will likely take a few months to really influence underlying economic activity. In the meantime, investment markets may need to weather potentially countervailing data releases regarding unemployment, inflation, and GDP growth.

Equity Markets

Following August's initial so called "*flash correction*" equity markets recovered nicely, and most indexes finished higher for the month. For example, the S&P 500 gained 2.4% for the month, up 8.9% from its intra-month low on August 5. Overall, U.S. Large Caps led in the month and added to their lead year-to-date (YTD) -- although, continuing the trend we first saw in July, mega cap growth stocks (i.e., NASDAQ 100) lagged the broader large cap index (i.e., S&P 500). U.S. Small Caps were down 1.4% in August, lagging all equity indexes that we track in this report. This is curious as previous indications of lower rates have fueled rallies for small caps. The strongest gain in the month was logged by International Developed stocks (i.e., EAFE), up 2.9%, although International stocks continue to trail U.S. large caps on a YTD basis.

Fixed Income Markets

The favorable trends regarding rate expectations supported favorable returns across bond market indexes as August unfolded. High yield bond indexes continued to lead in the month and year-to-date. And regarding the Yield Curve, its inversion technically now stands at 26 consecutive months – however, it has been substantially resolved with the moves in market interest rates over the last few weeks and the Yield Curve is now basically flat (when comparing 2-year vs 10-year Treasury yields). All else being equal, a Fed Funds rate cut in September could seal the deal and restore a normal upward slopping Yield Curve (at least modestly).

Reference(s):

1) Unemployment Rate; Bureaus of Labor Statistics, Release dated August 2, 2024 - https://www.bls.gov/news.release/empsit.nr0.htm
2) Weekly Initial Jobless Claims, CNBC News Article, August 8, 2024 - https://www.cnbc.com/2024/08/08/weekly-jobless-claims-fall-to-233000-less-than-expected-in-a-positive-sign-for-labor-market.html
3) U.S. Monthly Retail Sales, CNBC News Article, August 15, 2024 - https://www.cnbc.com/2024/08/15/retail-sales-july-2024-.html
4) Federal Reserve Chair Jerome H. Powell Speech from the Federal Reserve Annual Symposium at Jackson Hole, WY: Published Transcript, August 23, 2024 - https://www.federalreserve.gov/newsevents/speech/powell20240823a.htm
   ABC News Article, August 23, 2024 - https://abcnews.go.com/US/wireStory/takeaways-fed-chair-powells-speech-jackson-hole-113101898

Traverse Private Wealth is a registered investment advisor in the State of Pennsylvania. This publication is reprinted with permission from Genesia Investments LLC, an SEC registered investment adviser. Genesia Investments LLC and Traverse are unaffiliated entities. This publication is in no way a solicitation or offer to sell securities or investment advisory services. Statistical information, quotes, charts, references to articles or any other quoted statement or statements regarding market or other financial information is obtained from sources which we believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information.

Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.